

2005-06 Budget and Summary of Governor's Proposed Budget

John Laird, Assembly Budget Committee Chair

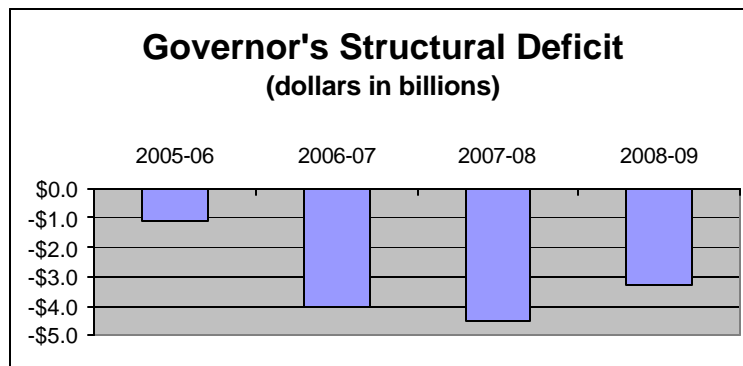
Status of the General Fund

The chart below shows the General Fund condition under the Governor's proposed budget for the next two years – updated to reflect the latest revenue figures from the Legislative Analyst's Office.

General Fund Condition – Assuming Governor's Proposals (dollars in millions)		
	2005-06	2006-07
Starting Balance	\$2,992	\$3,578
Revenues and Transfers	84,537	88,423
Economic Recovery Bond Proceeds	1,683	--
Total Resources	\$89,212	\$92,001
Expenditures	\$85,135	\$92,417
Ending Fund Balance	\$3,578	-\$416
Encumbrances	(641)	(641)
Final Reserve	\$2,937	-\$1,058

As the chart shows, even if every one of the Governor's proposals is approved by the Legislature, there is still a \$1 billion deficit the very next year. The only reason the deficit is not higher would be because of the high "starting balance" for 2006-07. However, the annual structural deficit (difference between revenues collected in a year and expenditures for the year) would be approximately \$4 billion.

The following chart reveals the ongoing structural problem that California faces under the Governor's budget:



Key Concerns About the Governor's Proposed Budget

Seniors

- Cuts wages in In-Home Supportive Service workers, place in jeopardy a the pool of critical workers that are necessary to care for the elderly and the disabled in a way that avoids the high costs of nursing homes.
- Cuts the Cost of Living (COLA) increases for the SSI (Supplemental Security Income)/SSP (State Supplementary Payment) grants, leaving low-income seniors unable to keep up with the rising cost of living. This is particularly troubling since the Federal Government provides California with funds to cover a portion of the COLA, but the Governor diverts these funds to the General Fund.

- Reduces tax relief by severely altering tax assistance programs for senior renters and home owners.
- Changes Medi-Cal benefits to limit dental care to \$1,000 annually.

K-12 Education

- Breaks the Governor's promise to limit the affect of last year's Proposition 98 suspension and takes an additional \$2.3 billion away from schools.
- Shifts the state's share of STRS (State Teachers Retirement System) contributions to local school districts, taking nearly \$500 million away from the classroom.
- Makes radical revisions to Proposition 98 undermines Proposition 98 protection of public education funds.

Transportation

- Proposes a two-year vacation from transportation investment by proposing to suspend Proposition 42 for two years.
- Delays over 1,100 transportation projects throughout California.
- Contains no real solution to the Bay Bridge retrofit funding problem.

Governor Schwarzenegger's Proposed Budget "Reforms"

- Makes radical revisions to Proposition 98 as part of the Budget Reform proposal that undermines Proposition 98 protection of public education funds.
- Initiates an across-the-board "robocut" that shifts power to the Governor and a minority in the Legislature.
- Sends all government programs into uncertainty, including schools, Medi-cal, prisons, transportation, etc., and allows the Governor to make mid-year across-the-board cuts four to five times per year, based solely on the Governor's own budget estimates.
- Allows budget stalemates to go on indefinitely by "renewing" the prior year's budget, taking away the incentive to reach a compromise while satisfying those who would rather have the past year's spending levels continue regardless of expected increases in the senior, school children and prison populations.